

**NCUA Board Member Debbie Matz  
Welcoming Remarks**

**National Federation of Community Development Credit Unions  
31st Annual Meeting  
San Francisco, California**

**June 9, 2005**

Thank you, Eunice, it is so wonderful to have the opportunity to address the Federation's Annual Meeting once again.

I've had the privilege of addressing the Federation's annual meetings twice before, and each time I find myself energized by the enthusiasm and commitment of Federation members.

I am continually impressed by the fortitude demonstrated by managers of community development credit unions to survive, to thrive, and to serve more and more members. You do this by innovating, partnering, and working, working, working!

As a result, community development credit unions have come a long way over the past 31 years.

This movement has grown from a small group of tiny credit unions struggling to make a difference – to a vibrant and diverse Federation of 225 credit unions working together to serve nearly 900,000 members in inner cities, rural towns, and reservations.

And you have made tremendous strides in the past year alone.

The CDCUs in business today are growing membership more than five times faster than the national average. While membership in mainstream credit unions grew just 1.4% over the past year, membership in today's community development credit unions grew more than 8%!

At first I was surprised to learn this. But then I thought, "of course!" It makes perfect sense, because no one works harder to serve their communities and to reach out to those who are underserved by other insured financial institutions than CDCU managers, staff and volunteers.

It is also a reflection of the supernatural efforts of Cliff Rosenthal and the Federation staff, to provide CDCUs with outside resources – everything from technical assistance grants through NCUA and the CDFI Fund, to partnerships that can help you attract new members with services that used to be limited only to larger credit unions.

It has been a great year for the Federation and its members, with the launching of 2 major initiatives: the Federation's Community Development Partners program and the CDCU Mortgage Center.

Nearly 30 large credit unions are now contributing to the Community Development Partners program. America's largest credit unions are sharing their resources and expertise with you because they understand and support what you do and recognize that community development credit unions benefit the entire credit union community!

And with the grand opening of the CDCU Mortgage Center last month, your credit unions will be able to make even more of a difference in your own communities. You will have access to the funding you need to make mortgages to members who would not

qualify for conventional loans – members who might otherwise have to turn to predatory lenders.

Yet Cliff never stops working, even if he is in a position to rest on his laurels. As I am sure you all know, after nearly 3 decades of tireless community development work, this year Cliff earned the Herb Wegner Memorial Award for individual achievement. I hope you will join me in recognizing Cliff for an award that was long overdue and well deserved!

Today, Cliff's vision and leadership and the CDCU mission are more important than ever, as predatory lenders keep moving into underserved communities to make high-priced loans to people who can least afford them.

Over the years, in my meetings with Cliff and Federation members, I have learned a great deal and have attempted to make changes at NCUA which would better meet your needs.

These changes hopefully will help your credit unions to continue to serve as viable alternatives to predatory lenders, to reach even more new members, and to grow even stronger in the future.

But before I focus on the future, I want to share with you the valuable lessons I have learned from community development credit unions in the 3 years in which I have been privileged to serve on the NCUA Board.

When I came to NCUA I knew very little about credit unions. So I decided to get out of the office, travel the country and see first-hand what credit unions are really all about.

To do this, I visited a number of community development credit unions. When I walked into Union Settlement in New York City, Alternatives in Ithaca, New York, North Side Community in Chicago and North East Community in San Francisco, I saw the credit union philosophy come alive!

At community development credit unions, I learned the true meaning of “People Helping People”:

It means treating each member, regardless of their income level or their credit history, with respect and compassion. It means listening to each member’s hopes and aspirations, and doing everything in your power to help them achieve their dreams. It means turning a “Heck no, not with your credit history,” into “Yes, let’s work together and make it happen.”

I also learned that at community development credit unions, “People Helping People” is not just a catchy marketing slogan. “People Helping People” is embodied in the culture and values of the institutions and their staff.

The more I spoke with CDCU leaders around the country, the more I learned.

I learned that “low income” does not automatically mean “high credit risk.” I learned that people with low incomes can actually be better credit risks than people with high incomes – because people with low incomes will do everything they can to pay off their loans and build good credit.

I learned that CDCUs are shining examples of how all credit unions can and should be serving people of modest means. And I concluded that all credit unions owe CDCUs a debt of gratitude –

because by fulfilling credit unions' statutory mission, you are helping to preserve their tax exemption!

It was important for me, as a financial regulator, to understand that a spreadsheet alone does not tell the CDCU story. Beyond the spreadsheet is the human dimension: the heart-warming stories about how credit unions have changed their members' lives.

As a new NCUA Board member, visiting community development credit unions was an invaluable part of my orientation. I wished that everyone at NCUA could see credit unions as I had. While I knew that would not be possible, I felt that the top staff at NCUA needed to hear the perspectives of community development credit union officials.

So early in my term, I put together an unprecedented meeting. I invited Cliff and several CDCU leaders to meet directly with the career employees who oversee NCUA's regulatory and examination programs.

The CDCU representatives spoke passionately about how CDCUs strive to reach people who are not being served by other credit unions, and made a compelling case for why NCUA should not use a cookie-cutter approach that treats CDCUs the same as larger credit unions.

The NCUA staff heard how certain NCUA policies and procedures were unduly burdening small credit unions – making it difficult for CDCUs to serve members to the best of their ability.

And the CDCU leaders made a very important final point: To truly improve the examination process for small credit unions, any effort at the national level is just the beginning. The effort must be

supported in the NCUA Regional offices and implemented on the examiner level.

After that meeting, it became clear that we at NCUA had to become more sensitive to the unique needs of small and low-income credit unions in order for them to survive.

Their survival, I concluded, is fundamental to the achievement of the statutory mission of credit unions and, therefore, an important part of NCUA business.

I became a Board member with a mission! And I seized every opportunity to push that mission forward.

I started with our Leadership Summit. Each January, NCUA holds a Leadership Summit – a strategic planning session for all NCUA Office Directors and Regional Directors. In 2003, I recommended a new approach. I insisted that we invite representatives of small credit unions to speak at the Summit and make suggestions about how NCUA could incorporate small credit union issues into the agency's strategic planning process.

It was the first time that the top NCUA staff from the Central Office and each Regional Office had the opportunity to hear directly from small credit union leaders before developing their strategic plans for the year.

The compelling testimony of the small credit union leaders from whom we heard that day inspired me to launch a far-reaching initiative to change the way NCUA does business and relieve the unintentional burdens on small credit unions.

It was clear that for such an initiative to succeed, we would need support and participation from every level of the agency.

So I formed a Small Credit Union Working Group which included staff from NCUA's Central Office, all 5 Regions, and several examiners.

Liz Whitehead, Associate Regional Director for Programs in Region I, agreed to Chair the Working Group. Because she ran a small credit union herself before coming to NCUA, Liz brought a unique perspective to the group. And she still has a passion for small credit unions!

Members of the Working Group were encouraged to go out and meet with groups of small credit union managers, staff and volunteers in their Regions. They were told to listen to their ideas to improve NCUA examinations, communications and training.

The result was an enormous outreach effort. Between Small Credit Union Programs organized by NCUA, the Federation and other organizations, our Working Group members solicited comments from more than 1,000 small credit union officials.

When the Working Group reconvened and compared their findings, it was astonishing how much they had learned!

Much like I did after visiting CDCUs, they recognized the important role that small credit unions play, not only in their own communities, but in the entire credit union community.

They realized that without sacrificing safety and soundness, there are many things NCUA could do differently to help small credit unions not only survive, but thrive.

And they found that some small credit unions actually had positive comments about assistance they received from examiners. They heard stories about how examiners had suggested training programs, recommended mentors, and found partners that helped small credit unions get back-office assistance, sell loan participations, and offer virtually any new services that larger credit unions can.

For some small credit unions, assistance from examiners made the difference between remaining self-sufficient and being forced to merge.

This gave us a positive message upon which to build with all NCUA employees. At Regional Conferences designed to reach every NCUA employee in person, we made a case for providing more assistance to small credit unions.

I was energized by the Working Group and emboldened by the findings from our examiner survey. The survey showed that although small credit unions represent nearly 50% of all credit unions, proportionately less examiner time – 38% – is spent on small credit unions. And that examiner time includes work on mergers and liquidations.

Unfortunately, as you know all too well, in a typical year NCUA merges or liquidates a small credit union every business day.

It seemed obvious to me that NCUA would spend less time on mergers and liquidations if we spent more time actually helping small credit unions stay in business!



So going into what could be my final budget cycle at the agency, I was determined to ensure that NCUA would invest more resources, not less, assisting small credit unions!

The challenge was to do this in a year when the Administration was asking the agency to once again reduce its overall budget and staffing levels.

But again I was inspired by many of your experiences working with limited resources. Another important lesson I learned from CDCUs is that for every challenge, there is a creative solution.

So I came up with a creative solution of my own: Without adding any new dollars or new staff to the overall budget, I proposed a plan to reallocate resources from other areas of NCUA and devote them to small credit unions.

My plan was approved in NCUA's 2005 budget, and on the year's first business day, we opened the Office of Small Credit Union Initiatives – the most ambitious effort ever to support small credit unions.

The Office of Small Credit Union Initiatives will truly change the way NCUA does business. It will make supporting small credit unions an agency-wide goal, starting in our Central Office, extending to all 5 Regional Offices, and ultimately to every examiner who works with small credit unions.

An initiative this expansive will take some time to get fully up and running. But it is off to a promising start:

In April, Tawana James, the Director of the new Office, centralized NCUA's Economic Development Specialists (EDS's). This is a

very important first step because EDS's are perfect examples of how NCUA and small credit unions can work together.

As you know, each EDS is devoted to small credit unions and works with credit union staff one-on-one to help them succeed. EDS's believe in the potential of small credit unions to grow, and they counsel the credit union staff on how to do so. Most noteworthy, they roll up their sleeves and work side-by-side with the staff to resolve problems.

It's no coincidence that credit unions receiving on-site assistance from EDS's are much less likely to merge, and much more likely to grow stronger. So it's no wonder that credit union people who have worked with EDS's think they're the best!

But until 2 months ago, the EDS's had been spread unevenly throughout the Regions. They did not have many opportunities to communicate with each other across Regional lines.

When our Office of Small Credit Union Initiatives brought the EDS's together for the first time, the energy in the room was electric! They told uplifting stories about their experiences with small credit unions. They shared innovative approaches that will help each of them be even more effective. And they set ambitious goals to reach even more small credit unions.

While the EDS's will remain in field locations where they can provide the most on-site assistance, for the first time their efforts will be coordinated by a single person in the Central Office. Reporting to a new person in the Office of Small Credit Union Initiatives will enable EDS's to communicate regularly, share ideas collectively, and mobilize more efficiently.

I believe the EDS's are among NCUA's greatest resources, so I have worked hard to ensure that they will continue to be available to the credit unions that need them most.

Of course, I understand that not every small credit union can be touched by an EDS. Between EDS's and our Small Credit Union Subject Matter Experts, we have 45 small credit union specialists in the field. But there are nearly 4,500 small credit unions. That's nearly 100 small credit unions for every specialist!

NCUA's small credit union resources have been spread too thin.

But once the Office of Small Credit Union Initiatives is fully up and running, supporting small credit unions will no longer be limited to the EDS's, Subject Matter Experts, and a few employees in the Central Office.

It will be a coordinated, agency-wide effort which will ultimately touch nearly every examiner.

I'm pleased to report that the new Office has just hired an Internal Trainer – a new position dedicated entirely to training NCUA examiners who work with small credit unions.

Some of you may know Judy Graham, who has been selected for this position. If you do, you also know that she brings extraordinary credentials to the position. Last month Judy was named "Examiner of the Year" in Region 2 – so when she asks examiners to do things her way, she is speaking from experience!

One of Judy's first goals will be to ensure consistency in small credit union exams from Region to Region. By training all examiners who work with small credit unions, the ultimate goal is

for all of these examiners to function as specialists for small credit unions.

My vision is to extend EDS-quality assistance to every small credit union that can benefit from a creative and caring examiner. I believe all of your credit unions should receive the special attention you deserve!

In the next few months the new Office will hire an External Trainer – a new position dedicated entirely to coordinating training programs for small credit unions.

These training programs will address the vital issues we talked about last year – issues where a lack of training too often leads to credit union failures: board responsibilities, internal controls, recordkeeping, regulatory compliance, and new services that can help small credit unions grow.

We are hoping to fill this External Trainer with someone from outside of NCUA, so if you know of any trainers who have been particularly effective in helping small credit unions, by all means encourage them to apply!

Everyone in the new Office of Small Credit Union Initiatives is there for one reason: to serve you. They are devoted to promoting the stability, longevity and success of small credit unions across the nation.

And I encourage you to help them. Give them feedback on what they're doing well; give them suggestions on what they could do better.

The same goes for NCUA Regional Directors. This year as part of their performance evaluations, the Regional Directors have been asked to report on their initiatives to assist small credit unions. So they could really use ideas from you.

Recently, I hosted another unprecedented meeting. It was intended to give the Federation Board members, all 5 Regional Directors, Tawana James and other key NCUA Office Directors an opportunity to have an off-the-record discussion.

It was also an opportunity for leaders of the Federation and NCUA to hear each other's viewpoints, establish mutual concerns, and propose possible solutions.

This meeting was by no means an end to our dialog. It was intended as a new beginning. If we can develop an ongoing dialog between all Federation members and NCUA staff, I believe we can all work together to strengthen small credit unions for years to come.

So I encourage you to stay in touch with people at all levels of NCUA: from your examiner, to an EDS, to your Regional Director, to the Office of Small Credit Union Initiatives, and the NCUA Board.

In my remaining time on the NCUA Board, I will do everything I can to ensure that the Office of Small Credit Union Initiatives will have a lasting, positive impact. With the new positions and new programs we are putting in place, this Office has the potential to help community development credit unions thrive long after my term expires.

Since my term expires in August, this may be the last time I have the opportunity to address you as a group and tell you how much I have enjoyed working with you.

It's not only the knowledge and experience of CDCU leaders that will leave a lasting impression on me. I have been amazed by your creativity! I have been inspired by your courage! I have been strengthened by your commitment! And I have been moved by your passion!

I can say without hesitation that you are among the most dedicated and hard-working people in the credit union community.

I was imagining the other day what an ad for a CDCU manager might look like. It would probably read:

Wanted: Dynamic, idealistic, self-motivated visionary with the ability to revitalize a community by leading a small credit union with limited resources; The ideal candidate will need to form partnerships to leverage these limited resources and compete against predatory lenders that have many more locations and greater financial backing; No need to send a salary history; the ideal candidate must be willing to work for the sense of fulfillment and for the greater good, not the money!

Amazingly, you all responded to such ads! Many of you say it's your calling. I think it's because you're very special people!

As I look beyond the end of my term, I feel confident that community development credit unions represent not only the past, but the future of credit unions.

You can all stand proud on your record of service to people who need affordable financial services the most.

You have made a lasting difference in the lives of your members, their children and future generations to come.

You have fulfilled the dreams of hundreds of thousands of members whom you helped when no one else would.

You embody the enduring spirit and philosophy that should be embraced by all credit unions.

You are living proof that credit unions continue to fulfill their statutory mission to serve people of modest means.

So if all credit unions stay true to the mission that you live by each and every day, the future of credit unions will be as robust and rewarding as their past.

And community development credit unions will make dreams come true for millions more people in the years to come.

I feel so fortunate to count myself among the people you have touched so deeply.

When I leave NCUA, I can assure you, wherever the future may take me, I will always treasure my experiences with community development credit unions; and I will never forget the lessons I have learned from you.

You are the heroes of the credit union movement, and you have my gratitude and my respect.

I wish you the best of luck. Thank you.